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UNICEF Office of Internal Audit and Investigations 2014 annual report to the Executive Board

Summary

The present report provides information on the activities of the Office of Internal Audit and Investigations during the year ended 31 December 2014. It delivers an overview of the Office of Internal Audit and Investigations, describes the key issues highlighted by its internal audit and investigations work, and provides information on the disclosure of internal audit reports during 2014. The management response to the report is presented separately, as requested by the Executive Board in its decision 2006/18. The annual report of the UNICEF Audit Advisory Committee for 2014 may be found on the Executive Board website.

* E/ICEF/2015/4.

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I. Executive summary

1. The Office of Internal Audit and Investigations (OIAI) provides UNICEF with independent and objective assurance and advisory services in accordance with the OIAI Charter.

2. Internal audits performed by OIAI help to strengthen UNICEF transparency and accountability regarding the efficient and effective use of resources for achievement of results for children. The investigation function of OIAI helps UNICEF to implement a zero-tolerance policy on misconduct, fraud and corruption by investigating allegations of corrupt or fraudulent practices or misconduct involving UNICEF and parties working for or with the organization. Because the remit and activities of OIAI cover the work of the entire organization, the Office is also able to focus management attention on trends in the effectiveness of its controls.

3. At year-end 2014, OIAI had issued 39 internal audit reports, and an additional 15 were in varying stages of completion. The reports issued contained a total of 525 actions (including 127 rated high priority) that management had agreed to implement to address the risks identified. OIAI also completed seven advisory engagements, issuing reports for six of them. OIAI reviews the status of implementation of the agreed actions to ensure that residual risks are addressed by management in a timely and effective manner.

4. OIAI handled 124 investigation cases in 2014. This included 45 carry-over cases from 2013 and 79 new cases received in 2014. OIAI completed 72 investigation cases in 2014, the majority of which involved either: (a) fraud involving misuse of programme funds by third parties; (b) inappropriate staff conduct; or (c) harassment and abuse of authority. OIAI follows up on the status of actions taken by management in response to an investigation report, including whether identified funds at risk have been recovered.

5. In accordance with Executive Board decision 2012/13, OIAI has continued to publicly disclose internal audit reports, thus directly contributing to UNICEF efforts to increase accountability and transparency to stakeholders. Of the 39 internal audit reports issued in 2014, 21 country office and 4 non-country office audits had been publicly disclosed in full by the end of 2014. Two reports were withheld by the Director of OIAI in 2014 after determining that the reasons for the requests to withhold them met the criteria laid down by Executive Board decision 2012/13. The remaining 12 reports were in the process of review as at 31 December 2014.

6. The Audit Advisory Committee (AAC) continued to independently advise the Executive Director on ways to strengthen the internal audit and investigations functions of UNICEF. OIAI continued to engage with the AAC by sharing the annual workplan prior to its approval, providing periodic updates on the progress of its implementation, and sharing emerging trends and practices in internal audit and investigations.

7. OIAI continued to receive strong support from the UNICEF Executive Director and senior management, who have remained committed to developing and implementing adequate organizational strategies, policies and processes to address the risks identified.

8. In 2014, OIAI was free from interference in determining its audit and investigations scope, performing its work and communicating its results. The Office has been able to meaningfully contribute to the overall oversight system of UNICEF by providing an adequate level of assurance on the state of UNICEF internal controls and contributing to their strengthening.

II. Mandate and strategic approach

9. The authority and operational independence of OIAI are established in the UNICEF Financial Regulations and Rules and defined in the OIAI Charter. The most recent version of the Charter was approved by the Executive Director on 29 May 2012.

10. OIAI aims to help UNICEF to fulfil its fiduciary responsibilities in achieving its programme goals, so that the organization can do more for children. Internal audits accomplish this by providing independent, objective assurance and consulting services designed to add value to UNICEF operations. OIAI investigations help UNICEF to implement a policy of zero tolerance for misconduct, fraud and corruption by examining and determining the veracity of (a) allegations of corrupt or fraudulent practices involving UNICEF and parties working for or with UNICEF, and (b) allegations of misconduct involving UNICEF staff, consultants, non-staff personnel and institutional contractors.

11. In addition to providing specific audits and advisory and investigation services, OIAI adds value to UNICEF by focusing senior management's attention on trends in risks and the effectiveness of controls. OIAI can do this because of its independence and objectivity. It also has a broad institutional remit that enables a comprehensive overview of core business processes. This allows the Office to analyse processes and identify the root causes of weaknesses in internal controls.

12. The main elements leading to effective and efficient implementation of the OIAI mandate are (a) its functional independence and access to people (UNICEF staff, non-staff personnel, consultants, etc.) and records; (b) sufficiency of resources; (c) appropriate internal audit and investigation coverage stemming from rigorous risk assessment; (d) quality and timeliness of audit and investigation results; and (e) usefulness of these results to key stakeholders.

13. OIAI maintains systems to ensure (a) adequate risk-based planning; (b) identification of fraud risks for follow-up action; (c) a quality assurance and improvement programme for audit and investigations; (d) sufficiency of staff resources; and (e) access to and cooperation with the Executive Director and senior management, along with key UNICEF partners.

14. In 2014, the AAC continued to provide independent advice to the Executive Director to promote the effectiveness of internal audit and investigation functions. The Committee reviewed the OIAI annual workplan, quarterly reports and the 2013 annual report to the Executive Board. It also reviewed the status of actions taken by OIAI to address the recommendations of the 2013 external quality assurance review reports for internal audit and investigations (see paragraph 18 below).

15. OIAI continued to receive strong support from senior management. The OIAI Director had regular, productive meetings with the Executive Director and senior management to discuss progress in implementing the OIAI workplan and the results

from audit and investigations. The OIAI Director also participated in senior management meetings as an observer, helping to increase awareness of key risks and issues for follow-up by OIAI.

16. OIAI continued to participate in the activities of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions. Based on the audit frameworks agreed upon with this group's members in 2007 (for multi-partner trust funds) and in 2011 (for the Delivering as One (DaO) programme), OIAI participated in four inter-agency audits to address common risks, two of which were completed in 2014 (see paragraphs 42 and 43 below).

17. OIAI also continued to be represented on the Organizing Secretariat of the Conference of International Investigators. It cooperated with the heads of investigation sections across the United Nations system to share information and good practices.

18. Following the independent quality assurance review in 2013, OIAI continued to be generally compliant with the International Standards for the Professional Practice of Internal Auditing (Standards) of the Institute of Internal Auditors, and the Uniform Guidelines for Investigations (endorsed by the 10th Conference of International Investigators in 2009).

III. Resources

19. The office had a budget allocation of $7.3 million for 2014, of which 99.7 per cent was expended by year end. The largest expenditure categories were staff salaries and travel. During the year, OIAI was also provided additional budget support of $150,000 to replace its audit software.

20. In 2014, the OIAI structure included 32 staff positions: director, deputy director, 2 chiefs of audit, chief of investigations, senior auditor responsible for professional practices, editor, 17 auditors, 5 investigators and 3 administrative assistants. All positions in OIAI were filled by 31 December 2014.

21. Support was also received from 21 operational staff from UNICEF country offices, who assisted OIAI in audits of country offices other than their own, under the direct supervision of the OIAI audit team. The approximate cost to OIAI for this support totalled $110,600 for travel expenditures.

22. OIAI engaged third-party consultants to support internal audit and investigation activities. The consultancies, which involved an expenditure of $199,275, included: (a) investigation services support ($85,123); (b) risk assessment of the Philippines Country Office ($23,047); (c) audit of payroll management in UNICEF ($58,750); and (d) risk assessment of the information and communication technology (ICT) function within UNICEF ($32,355).

IV. Basis for providing independent assurance to the Executive Director and the UNICEF Executive Board

23. OIAI hereby confirms its organizational independence. In 2014, OIAI was free from interference in determining its audit coverage, performing its work and communicating its results.

24. Internal audits in 2014 supplemented other oversight mechanisms that provide assurance to the Executive Director and the Executive Board concerning the adequacy and effectiveness of governance, risk management and control processes to ensure (a) efficient and effective use of UNICEF resources; (b) safeguarding of assets; (c) compliance with regulations, rules and policies; and (d) reliable reporting on financial and programme performance.

25. The OIAI internal audit workplan was fully risk-based and covered an appropriate mix of business units, functions and activities at the headquarters, regional and country levels. OIAI identifies areas of higher risk for UNICEF through a bottom-up approach. This involves reviewing prior audit results; leveraging knowledge of risks and controls; regularly consulting with management; and collaborating with the United Nations Board of Auditors and the UNICEF Evaluation Office, Ethics Office and risk officer. This is complemented by a top-down approach, in that OIAI fully considers institutional priorities and management's view of risks to determine risk criticality and establish annual priorities for audit.

26. The OIAI annual workplan is reviewed by the AAC and approved by the Executive Director. OIAI adjusts its workplan throughout the year, mainly on the basis of revised priorities and changing security conditions in the field. OIAI also submits a quarterly report to the Executive Director and the AAC that explains these modifications to the approved workplan.

27. The OIAI 2014 workplan included 74 outputs, with a forecast to complete 14 audits carried over from 2013 and 43 audits started in 2014, and for the remaining 17 outputs to be at different stages of advancement by year end (including 10 in draft form and 7 where field work had been completed). As of 31 December 2014, OIAI had completed 39 audits and had 9 audit reports in draft form and 6 more in the fieldwork or planning phase. Nineteen audits were cancelled and one audit was converted to an advisory engagement (see paragraph 29 below). OIAI also completed seven advisory engagements, issuing reports for six of them. Annex 1 presents the titles of the internal audit and advisory reports issued in 2014.

28. The 39 audits completed in 2014 included 33 country office audits, 2 regional office audits, 2 headquarters audits and 2 inter-agency audits. The two headquarters audits involved two business functions related to ICT.

29. The 19 audits that were cancelled in 2014 included 11 country office audits, 7 headquarters/thematic audits and 1 coordinated audit of the South Sudan Common Humanitarian Fund. For four country office audits and the coordinated audit, the cancellation was due to security or safety concerns. Six country office audits were cancelled due to scheduling and staffing constraints. The cancellations of headquarters/thematic audits were mainly due to recognition that auditing the units and functions affected by the 2014 reorganization of UNICEF headquarters would be ineffective. As part of the OIAI 2015 workplan, the risks for the cancelled audits

were reassessed and 13 of the 19 audits cancelled in 2014 were included in the 2015 workplan.

V. Disclosure of internal audit reports

30. The audit work of OIAI directly contributed to UNICEF efforts to provide greater accountability and transparency to stakeholders. In accordance with Executive Board decision 2012/13, OIAI has publicly disclosed all internal audit reports issued after 30 September 2012. Of the 39 internal audit reports issued in 2014, 21 country office and 4 non-country office audits had been publicly disclosed in full by the end of 2014. A further two[1] were withheld by the Director of OIAI in 2014, subsequent to comments received from the concerned Member State and the Executive Director, respectively. The Director of OIAI made such decision after determining that the reasons for the requests to withhold the reports met the criteria outlined in Executive Board decision 2012/13. The remaining 12 reports were in the process of review as at 31 December 2014. All reports disclosed to date may be viewed on the OIAI pages of the UNICEF website at <www.unicef.org/auditandinvestigation>.

31. Executive Board decisions 2009/8 and 2011/21 regarding limited disclosure relate only to those reports issued by OIAI from 2009 to the end of September 2012. In 2014, OIAI made available three internal audit reports to be viewed by two Member States and approved non-Member States through the legacy remote access system.

VI. Internal audit results

A. Actions agreed by management

32. The 39 internal audit reports issued by OIAI contained a total of 525 actions that management agreed to take in order to address the risks and weaknesses identified by the audits. Of these, 127 (24 per cent) were rated as high priority (i.e., requiring immediate attention) and 398 (76 per cent) were rated as medium priority. The number of high-priority agreed actions in each of the internal audit reports issued is provided in annex 1.

33. Audits of country offices, regional offices, headquarters and thematic audits include a review of key processes under the risk areas UNICEF has defined under its risk assessment and reporting structure. OIAI has categorized the actions agreed by management as shown in table 1.

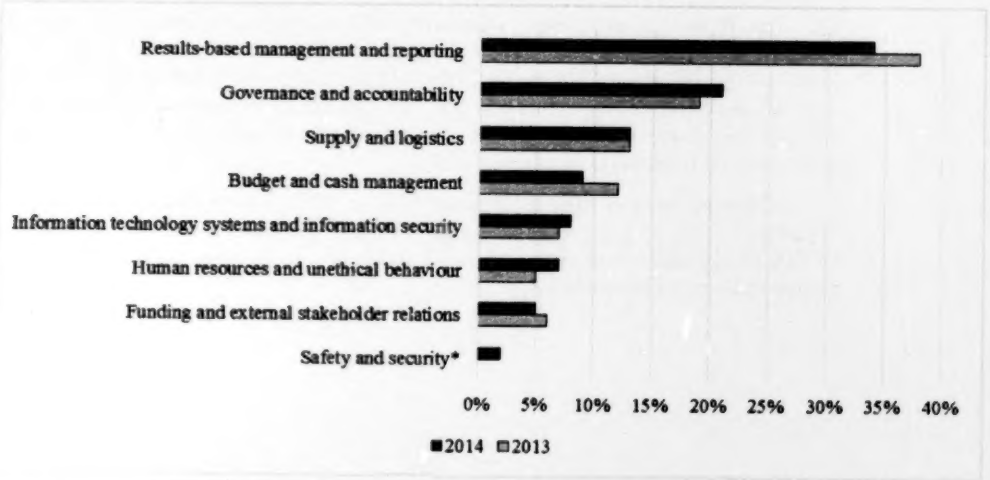
[1] Audit of the China Country Office and the Audit of Management of UNICEF Websites.

Table 1
Number of agreed actions by key risk area, 2014

Risk area	Number of agreed actions		Percentage of total	
	Total	High priority	Total	High priority
1. Results-based management and reporting	180	54	34	42
2. Governance and accountability	113	15	22	12
3. Supply and logistics	70	15	13	12
4. Information technology systems and information security	44	11	8	9
5. Budget and cash management	48	10	9	8
6. Funding and external stakeholder relations	24	9	5	7
7. Human resources and unethical behaviour	38	9	7	7
8. Safety and security	8	4	2	3
Total	**525**	**127**	**100**	**100**

34. The distribution of agreed actions by UNICEF risk areas in 2014 shows a similar pattern as in 2013, with three areas presenting the highest levels of residual risks: results-based management and reporting, governance and accountability, and supply and logistics. These areas represent 69 per cent of all agreed actions (and 66 per cent of high-priority actions). A comparison between 2013 and 2014 is shown in figure I below.

Figure I
Distribution of agreed actions by key risk area for 2013 and 2014



* There were no agreed actions relating to safety and security in 2013.

35. The key processes where risk management action should continue to be prioritized for results improvement are described in annex 2.

36. UNICEF management has agreed and taken action to address issues identified in internal audits in order to further improve the management for results. The key causes of the issues are addressed in paragraph 42 below.

B. Distribution of audit ratings

37. Based on the results of an audit, OIAI assigns an overall audit rating. Listed from positive to negative, these ratings are: (a) unqualified, (b) moderately qualified, (c) strongly qualified, or (d) adverse. This four-tier rating allows management to get an overall picture of audit results for the organizational unit or function audited and to focus risk management efforts on those that are rated "adverse" or "strongly qualified". The ratings of adverse and strongly qualified mean that OIAI is of the view that controls and processes related to the unit or function audited need improvement in order to be adequately established and functioning. Conversely, "unqualified" and "moderately qualified" audit ratings signal to management that controls and processes are generally established and functioning as intended.

38. Out of 39 internal audit reports issued in 2014, 25 (or 64 per cent) were satisfactory overall, and 14 (or 36 per cent) showed a need for improvement. Table 2 presents the distribution of ratings by type of audit.

Table 2
Distribution of audit ratings

Audit area		*Number of audits*	*Number of unqualified (satisfactory) ratings*	*Number of moderately qualified ratings*	*Number of strongly qualified ratings*	*Number of adverse ratings*
	WCARO	5	0	1	3	1
	LACRO	9	2	5	2	0
	ROSA	3	0	2	1	0
Country office audits	MENARO	6	0	2	4	0
	ESARO	3	0	2	1	0
	EAPRO	4	0	3	1	0
	CEE/CIS	3	1	2	0	0
Inter-agency audits		2	0	2	0	0
Headquarters/thematic		2	0	1	0	1
Regional offices		2	0	2	0	0
Total		**39**	**3**	**22**	**12**	**2**

C. Significant results of country office audits

39. The 33 country office audits completed in 2014 were all full-scope audits. Table 3 below shows the distribution of the 463 agreed actions by risk area and region. The proportion of agreed actions for each region is also influenced by the number of audits done for that region, and hence is not a comparative assessment among regions of the adequacy of their risk management actions.

Table 3
Distribution of agreed actions by risk area and region

Risk area	*MENARO 6 audits*	*LACRO 9 audits*	*WCARO 5 audits*	*EAPRO 4 audits*	*ESARO 3 audits*	*ROSA 3 audits*	*CEE/CIS 3 audits*	***Total 33 audits***	***Percentage of total***
Results-based management and reporting	33	35	33	20	20	18	13	**172**	**37**
Governance and accountability	28	21	19	10	6	4	8	**96**	**21**
Supply and logistics	11	14	19	5	8	9	1	**67**	**14**
Budget and cash management	9	8	6	4	4	6	4	**41**	**9**
Human resources and unethical behaviour	9	6	8	4	6	3	–	**36**	**8**
Funding and external stakeholder relations	4	7	4	3	1	2	2	**23**	**5**
ICT systems and information security	5	6	1	3	3	3	1	**22**	**5**
Safety and security	1	–	2	2	1	–	–	**6**	**1**
Grand total	**100**	**97**	**92**	**51**	**49**	**45**	**29**	**463**	
Percentage of total	**22**	**21**	**20**	**11**	**10**	**10**	**6**		

40. The three most significant risk areas identified for continuing management action include results-based management and reporting, governance and accountability, and supply and logistics. These areas accounted for 72 per cent of all agreed actions. From the OIAI viewpoint, the main cause for the weaknesses identified in these areas was the insufficient level of compliance with the relevant UNICEF policies and procedures, which OIAI considered to be generally appropriate to manage risk.

41. OIAI identified gaps in risk management strategies, inadequate office and management structures, and insufficient staff and partner capacities. As a result, in some countries, concerns remained regarding assurance on the efficient use of resources and achievement of expected results. In the area of governance and accountability, the lack of compliance with existing policies related to the use of statutory and advisory committees and delegation of authority in managing risks. In regard to supply and logistics, compliance issues had primarily to do with processes related to local procurement and contracting, and warehousing and distribution of goods.

D. Significant results of inter-agency audits

42. The Democratic Republic of the Congo Pooled Fund Consolidated Summary Report (2014/07): The Democratic Republic of the Congo Pooled Fund was established in 2006 for humanitarian activities in the country. During 2013, there were a number of coordinated audits of the Fund conducted by participating agencies, including UNICEF (see OIAI report 2013/15). In 2014, the United Nations Development Programme (UNDP) issued a consolidated report based on these audits. The key recommendations of the UNDP consolidated audit concern the lack of a strategic approach to winding down the Fund's emergency activities,

insufficient resources for cluster management, the absence of a monitoring and evaluation system, and gaps in implementation of the harmonized approach to cash transfers. The report included three recommendations specifically addressed to UNICEF, which were previously addressed by OIAI as part of the Report of the Democratic Republic of the Congo (DRC) Pooled Fund (2013/15) issued on 21 May 2013. These recommendations included clarifying UNICEF roles and responsibilities as the cluster coordinator; strengthening programme monitoring; and management of cash transfers — none of which were rated as high priority by OIAI.

43. Joint Audit of the Delivering as One in Pakistan 2014/15 (UNDP No. 1247): DaO aims to produce a more unified United Nations structure at country level. The joint audit covered the activities of DaO in Pakistan and focused on its five pillars (One Leader, One Programme, One Fund, Operating as One, and Communicating as One). The audit was conducted by the internal audit services of six United Nations agencies — the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, the United Nations Population Fund, the United Nations Industrial Development Organization, UNDP and UNICEF. The audit concluded that implementation of DaO in Pakistan was partially satisfactory and made a number of recommendations, of which seven were accorded high priority. The recommendations concerned gaps in harmonization of development and humanitarian planning and monitoring, implementation of the Management and Accountability Framework and the monitoring framework for Strategic Priority Areas, monitoring structures and processes, and a strategy to harmonize business processes and procedures. None of the seven high- and eight medium-priority risks included in the report were specifically addressed to UNICEF for action.

E. Significant results of headquarters and regional office audits

44. Internal Audit of the Management of UNICEF Websites (2014/16): There are two key global websites in UNICEF: <www.unicef.org>, managed by the Division of Communication and the Information Technology Solutions and Services Division; and <www.supportunicef.org>, managed by the Private Fundraising and Partnerships Division. The audit of the management of these websites made a number of recommendations[2] covering the areas of digital governance function and framework, management of enterprise web content, security assessments and website privacy policies.

45. Internal Audit of the Regional Office for South Asia (2014/23): The audit covered the regional office's governance and operations management and its oversight and support to country offices in the region. The audit did not identify any issues that it regarded as high priority. It noted that the office had developed several tools to strengthen both its own functioning and the discharge of its role as a regional office, with the introduction of a country office support database, a trip report database, an electronic bulletin board, a customer satisfaction survey, and region-specific strategies, guidance and tools to interpret and supplement UNICEF global policies.

[2] These recommendations were issued as a confidential report to the Executive Director.

46. Report on the Audit of the Regional Office for Central and Eastern Europe and the Commonwealth of Independent States (CEE/CIS) (2014/41): The audit covered the regional office's governance and operations management and its oversight and support to country offices in the region. The audit identified one issue that it regarded as high priority; it concerned the management of the Regional Chief of ICT post, which had blurred reporting lines and did not oversee ICT services in country offices. However, the audit also noted the office had strengthened its resource management. It has developed the CEE/CIS Talent Map, which aims to recognize and share talent in the region; the Regional Knowledge and Leadership Agenda, a framework for action and knowledge in the region; and a mentoring system.

47. Internal Audit of Payroll Management in UNICEF, including Information and Communication Technology (ICT) Systems (2014/28): The audit assessed governance, risk management and control processes over payroll management, and whether payments to staff members were accurate, complete and timely. The audit identified three issues that it regarded as high priority, including: the need to monitor and account for all payroll funding reallocations and repayments between regular resources and other resources grants; ensuring that user access to payroll systems and functionality are reviewed; and strengthening management of personal advance and recovery accounts.

F. Advisory services

48. Advisory reviews provide management with guidance on risks and controls and assist in adding value to the Office's core assurance work. In 2014, OIAI issued six advisory engagement reports and completed one advisory review for which no report was issued, as follows:

(a) Support to the Pacific Island Countries Office in strengthening its cash transfer function;

(b) Support to the Philippines Country Office in responding to major emergency incidents;

(c) Advice on reinforcement of the governance of the project to revamp the unicef.org website;

(d) Opinion on the need for a special audit of an implementing partner of the Côte d'Ivoire Country Office;

(e) Risk assessment of the ICT function;

(f) Support to strengthening oversight capability of the West and Central Africa Regional Office;

(g) Support to donor verifications (no report).

G. Follow-up on audit recommendations

49. As part of its audit activity, OIAI continued to undertake regular desk reviews to follow up on the progress of implementation of all actions agreed by management. Actions that have not been implemented for more than 18 months

from the date of issuance of the final audit report are included in the OIAI quarterly reports for the attention of the Executive Director, senior management and the AAC.

50. As of 31 December 2014, there were 20 outstanding recommendations older than 18 months. Two related to country offices and 18 to headquarters and thematic areas (see annex 3).

VII. Investigations results

A. Case management

51. OIAI managed 124 investigation cases during 2014, as shown in table 4. This included 45 cases carried over from 2013 and 79 allegations received in 2014 that were found to constitute serious suspicions of wrongdoing. At the end of 2014, 34 of the 45 cases carried over from 2013 and 38 of the new cases received in 2014 had been closed. Eleven of the cases carried over from 2013 were ongoing, which mainly involved allegations of complex fraud by implementing partners, and 41 of the new cases received in 2014 were ongoing.

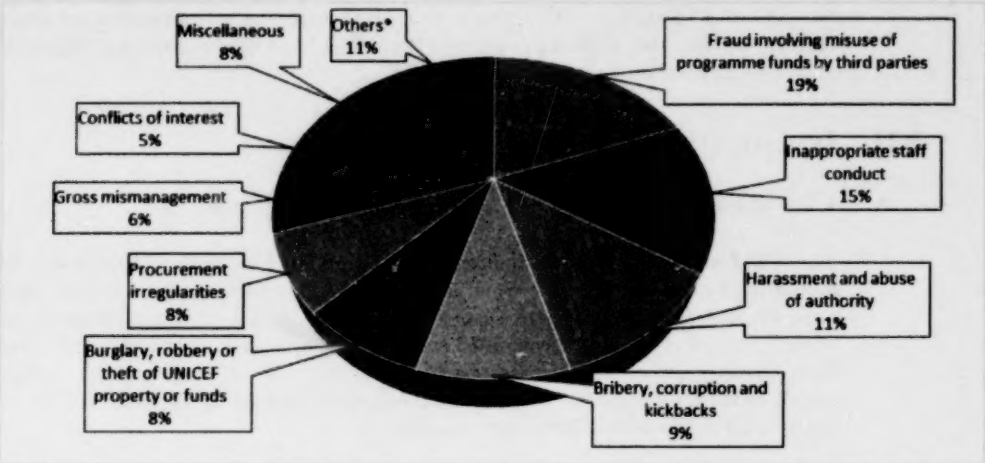
Table 4
Processing of investigation cases in 2014

Status of cases	*Number of cases*
Carry-over as of 1 January 2014	45
Intake during the year	79
Total cases	**124**
Closed (from cases carried over from 2013)	(34)
Closed (from intake)	(38)
Total cases closed	**72**
Cases ongoing as of 31 December 2014	52

B. Analysis of cases

52. OIAI analyses allegations and cases under 17 categories. For the year 2014, OIAI recorded cases within 15 of the 17 categories. Figure II below presents the proportion of cases among the major categories.

Figure II
Investigation cases received (intake) in 2014, by category


Miscellaneous 8%
Others* 11%
Fraud involving misuse of programme funds by third parties 19%
Conflicts of interest 5%
Inappropriate staff conduct 15%
Gross mismanagement 6%
Procurement irregularities 8%
Harassment and abuse of authority 11%
Burglary, robbery or theft of UNICEF property or funds 8%
Bribery, corruption and kickbacks 9%

* The category of "Others" above includes allegations relating to entitlement fraud, medical insurance plan (MIP) fraud, whistle-blower retaliation, sexual harassment or exploitation, unauthorized use or misuse or waste of UNICEF funds or property, and personnel disputes.

53. The majority of cases in 2014 were classified under three categories: fraud involving misuse of programme funds by third parties (15 cases); inappropriate staff conduct (12 cases); and harassment and abuse of authority (9 cases). These three categories totalled 45 per cent of all investigation cases. In 2014 OIAI received the first reported cases of whistle-blower retaliation (2 cases). There were no cases in 2014 under the categories "forgery" and "willfully making false allegations".

54. The majority of cases originated from the Eastern and Southern Africa region (29 per cent), the West and Central Africa region (21 per cent) and the South Asia region (15 per cent).

55. The 52 cases ongoing as of 31 December 2014 mainly consisted of allegations of fraud involving misuse of programme funds by third parties (22 cases), bribery, corruption and kickbacks (6 cases) and procurement irregularities (6 cases).

C. Disposition of completed cases

56. In 37 instances (or 51 per cent of 72 completed cases), a case was closed because OIAI could not substantiate the allegation. Another nine matters were considered to be outside the purview of OIAI and referred for action to a UNICEF office or to another United Nations organization. Most of the referrals are categorized as miscellaneous, meaning they do not require an investigation by OIAI as they relate to a question or concern about delivery of services or supplies that should be addressed by the country or region. The disposition of all cases completed in 2014 is described in table 5 below. The disposition of all cases by allegation is shown in annex 4.

Table 5
Disposition of investigation cases completed in 2014

Type of closure	*Number of cases*	*Percentage of total*
Closure memorandum	**49**	**68**
1a) Allegation not substantiated	37	
1b) Allegation in which no offender was identified	6	
1c) Allegation in which staff member left the organization during the investigation	6	
Investigation report submitted to	**14**	**19**
2a) Division of Human Resources	12	
2b) Ethics Office	2	
Referral made to	**9**	**13**
3a) UNICEF office	8	
3b) United Nations organization	1	
Total cases closed in 2014	**72**	**100**

57. Of the 72 cases closed in 2014, 58 per cent were closed within six months of receipt of the allegation.

58. OIAI identified potential losses amounting to $728,552 in 16 cases. Management notified OIAI that $47,169 had been recovered as of 31 December 2014. A breakdown of these amounts is presented in table 6 below.

Table 6
Financial impact of investigation cases in 2014

Category	*Amount of potential loss**	*Amount recovered*
Procurement irregularities	$383 258	$8 300
Fraud involving misuse of programme funds by third parties	$257 941	$17 504
Burglary, robbery or theft of UNICEF property or funds	$66 730	$742
Entitlement fraud	$19 000	$19 000
Medical insurance plan fraud	$1 623	$1 623
Total	**$728 552**	**$47 169**

* These amounts refer to the financial impact of the loss assessed by the investigations. The actual loss is, however, subject to the extent of the recoveries made.

D. Disciplinary measures and other actions taken

59. OIAI submitted 12 investigation reports relating to 11 staff members to the Policy and Administrative Law section of the Division of Human Resources. OIAI also submitted reports related to two cases of whistle-blower retaliation to the Principal Advisor, Ethics Office, for appropriate action as per CF/EXD/2007-005.

By the end of 2014, the following actions had been taken by the Policy and Administrative Law section of the Division of Human Resources:

(a) one dismissal

(b) two demotions with deferment of eligibility of promotion for one year

(c) two demotions

(d) one written censure for five years

(e) one written reprimand

(f) one separation from the organization with compensation

(g) one report that resulted in no further action.

Annex 1

Audit and advisory reports issued in 2014[1]

No.	Reference number	UNICEF country office audits	Number of agreed actions[2]		Report conclusion[3]
			Total	High priority	
1.	2014/02	Côte d'Ivoire Country Office	21	10	Q-S
2.	2014/03	Bangladesh Country Office	10	3	Q-M
3.	2014/04	Eastern Caribbean Area Office	12	3	Q-M
4.	2014/05	China Country Office	10	3	Q-M
5.	2014/06	Eritrea Country Office	16	6	Q-S
6.	2014/08	Bolivarian Republic of Venezuela Country Office *(Remote audit)*[4]	5	2	Q-M
7.	2014/09	Liberia Country Office	13	5	Q-S
8.	2014/10	Plurinational State of Bolivia Country Office	10	2	Q-M
9.	2014/12	Democratic People's Republic of Korea Country Office	4	1	Q-M
10.	2014/13	Djibouti Country Office *(Remote audit)*	18	5	Q-S
11.	2014/14	Pacific Islands Countries Office	23	5	Q-S
12.	2014/17	Belize Country Office *(Remote audit)*	9	0	U
13.	2014/18	Mali Country Office	25	15	A
14.	2014/19	Myanmar Country Office	14	2	Q-M
15.	2014/20	Ghana Country Office	14	2	Q-M
16.	2014/21	Sudan Country Office	19	6	Q-S
17.	2014/22	Turkey Country Office	12	2	Q-M
18.	2014/24	Nepal Country Office	13	4	Q-S

[1] Audit and advisory reports are listed by report reference number. Reports numbered from 1 to 10 are for audits carried over from 2013.

[2] Some medium- or high-risk agreed action plans were communicated to the Executive Director confidentially to prevent organizational exposure to the related risks.

[3] The report conclusions may be: Unqualified (U; satisfactory); Qualified-moderate (Q-M); Qualified-strong (Q-S); or Adverse (A).

[4] Remote audits were conducted for six country offices using a process that coupled ICT with data analytics.

No.	Reference number	UNICEF country office audits	Number of agreed actions[2]		Report conclusion[3]
			Total	High priority	
19.	2014/26	Argentina Country Office	15	4	Q-S
20.	2014/27	Libya Country Office	12	4	Q-S
21.	2014/29	Uruguay Country Office *(Remote audit)*	13	2	Q-M
22.	2014/30	Mozambique Country Office	16	2	Q-M
23.	2014/32	Malawi Country Office	17	3	Q-M
24.	2014/33	Cameroon Country Office	19	7	Q-S
25.	2014/34	Pakistan Country Office	22	2	Q-M
26.	2014/35	Belarus Country Office	14	3	Q-M
27.	2014/36	Peru Country Office	5	0	U
28.	2014/37	Turkmenistan Country Office *(Remote audit)*	3	0	U
29.	2014/38	Mexico Country Office	10	0	Q-M
30.	2014/39	Morocco Country Office *(Remote audit)*	16	4	Q-S
31.	2014/42	Chile Country Office	18	4	Q-S
32.	2014/43	Lebanon Country Office	14	2	Q-M
33.	2014/44	Jordan Country Office	21	3	Q-M
		Total	**463**	**116**	
		Regional Offices			
1.	2014/23	Regional Office for South Asia	17	0	Q-M
2.	2014/41	Regional Office for CEE/CIS	19	1	Q-M
		Total	**36**	**1**	
		Headquarters and thematic area audits			
1.	2014/16	Management of UNICEF websites	17	7	A
2.	2014/28	Payroll management in UNICEF including information and communication technology (ICT) systems	9	3	Q-M
		Total	**26**	**10**	

No.	Reference number	UNICEF country office audits	Number of agreed actions[2]		Report conclusion[3]
			Total	High priority	
		Inter-agency audits			
1.	2014/07	The Democratic Republic of the Congo pooled fund consolidated summary report (coordinated audit)	NA	NA	Q-M
2.	2014/15	Delivering as One in Pakistan (Joint Audit)	0	0	Q-M
		Advisory services*			
1.	2014/01	Support to Pacific Island Countries Office in strengthening its cash transfer function	NA	NA	NA
2.	2014/11	Support to the Philippines Country Office in responding to major emergency incidents	NA	NA	NA
3.	2014/25	OIAI's advice on reinforcement of the governance of the project to revamp unicef.org website	NA	NA	NA
4.	2014/31	Opinion of the need for a special audit of an implementing partner of the Côte d'Ivoire Country Office	NA	NA	NA
5.	2014/40	Risk assessment of the ICT function in UNICEF	NA	NA	NA
6.	2014/45	Support to strengthening oversight capability of regional office: WCARO	NA	NA	NA
		Total	**525**	**127**	

* In addition to the six items listed, during the year OIAI also provided advice to the Division of Financial and Administrative Management on European Commission verification missions. A report was not issued.
NA = Not applicable.

Annex 2

Key processes identified for priority action by management

Risk area process	*High priority agreed actions*	
	Number	*Percentage of total*
I. Results-based management and reporting	**54**	**42**
1. Support to programme implementation	20	16
2. Monitoring of programme implementation	15	11
3. Programme planning	14	11
4. Reporting	5	4
II. Governance and accountability	**15**	**12**
1. Structures	6	5
2. Roles and responsibilities	4	3
3. Performance measurement	2	2
4. Risk management	2	1
5. Priority setting	1	1
III. Supply and logistics	**15**	**12**
1. Procurement and contracting	9	7
2. Asset management	3	3
3. Inventory management	3	2
IV. ICT systems and information security	**11**	**9**
1. Provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services	11	9
V. Budget and cash management	**10**	**8**
1. Financial management	10	8
VI. Funding and external stakeholder relations	**9**	**7**
1. Resource mobilization and management	9	7
VII. Human resources and unethical behaviour	**9**	**7**
1. Staffing	8	6
2. Ethics	1	1
VIII. Safety and security	**4**	**3**
Total	**127**	**100**

Annex 3

Recommendations unresolved for more than 18 months

I. Audit of staff rotation, issued June 2011 (one recommendation; open 42 months)

1. The recommendation pertains to a governance structure for managing organizational policies, procedures and guidance that balance the practical realities of the UNICEF business model with good practices.

2. *Status: An initial draft of a new rotation policy was issued in March 2013. In progress.*

II. Audit of framework for managing policies and procedures, issued June 2012 (three recommendations; open 30 months)

3. Two recommendations pertain to a governance structure for managing organizational policies, procedures and guidance; and establishing minimum standards for policy development and management.

4. *Status: The draft Executive Directive on the UNICEF Regulatory Framework was submitted to the Deputy Executive Director (DED) Management in August 2014.*

5. The third recommendation pertains to defining a common organizational platform for storing all policies and procedures.

6. *Status: Cost options for Common Proposal 7 on the development of a corporate information, document and records management architecture were presented at the November 2013 Global Management Team meeting. In August 2014, a policy lifecycle management software based on an enterprise governance, risk and compliance quality platform was being explored.*

III. Audit of administration of separation benefits and entitlements, issued September 2012 (one recommendation; open 27 months)

7. One recommendation pertains to the protection of personnel information by exploring the possibility of having an electronic personnel filing system and other disaster backup management controls, especially increased security over personnel files.

8. *Status: No progress recorded.*

IV. Audit of the budgeting process in UNICEF, issued October 2012 (three recommendations; open 26 months)

9. Two recommendations pertain to revising the Budget Policy to ensure that the responsibilities, authorities and accountabilities of headquarters divisions and regional and country offices cover all aspects of the budgeting process; and ensuring that the revised Budget Policy explicitly supersedes previous guidance in order to avoid confusion, gaps or overlaps.

10. *Status: No progress recorded.*

11. The third recommendation pertains to development and communication of a results-based budgeting implementation strategy for both programme and institutional budgets.

12. *Status: No progress recorded.*

V. Audit of Programme Division (PD), issued December 2012 (seven recommendations; open 24 months)

13. *Status: In view of the Effectiveness and Efficiency exercise and headquarters restructuring that significantly impacted PD, OIAI requested PD and the DED Programme Group to review all agreed actions established in the audit report for current relevance and appropriateness. OIAI requested that revised action be proposed in light of the current situation. In progress.*

VI. Nigeria Country Office report, issued March 2013 (one recommendation; open 21 months)

14. The country office agrees to maintain a record of all premises provided by the Government, with full supporting documents such as memorandums of agreement between UNICEF and the Government; and to establish procedures on the use of these premises by staff for billing and collection of rent; and to ensure that only authorized persons are allowed to occupy these premises.

15. *Status: The country office was working with the Principal Adviser to the Executive Director to address the issue.*

VII. Audit of user access controls and segregation of duties, issued April 2013 (two recommendations; open 20 months)

16. One recommendation pertains to drawing up a policy formalizing the governance structure concerning user roles, documenting the processes relative to the oversight bodies and supporting teams, and seeing that governance and oversight over the Enterprise Resource Planning (ERP) system user access security becomes fully operational.

17. *Status: The User Roles Governance Group terms of reference was endorsed by the Steering Committee, including the governance structure of user roles. In progress.*

18. The second recommendation pertains to taking action so that heads of offices acknowledge accountability for the mitigating controls undertaken after segregation of duty conflicts are detected by the Approva governance, risk and compliance tool.

19. *Status: Further reporting functionality had been developed in Approva and a pilot of the Certification Manager was underway.*

VIII. Audit of baseline security in the UNICEF ERP system, issued April 2013 (one recommendation; open 20 months)

20. One recommendation pertains to updating the set of procedures covering all aspects of ERP system security, including the monitoring of ERP security.

21. *Status: Management developed a draft systems development life cycle standard, which was under review. VISION reference documentation was also maintained. In progress.*

IX. Democratic Republic of the Congo Country Office report, issued May 2013 (one recommendation; open 19 months)

22. The country office agrees to: (i) Request the advice of the Principal Adviser to the Executive Director to ensure compliance with the lease contracts, such as the completion of additional works on the office space and related penalty clauses, and immediate repairs to the roof of the second building, which includes the warehouse; and to clarify the contractual status of the old warehouses, taking into account the time that will be needed to fix the roof in the new warehouse. (ii) Document its plan to finance the additional rental cost over the duration (five years) of the lease contract for the main office space. (iii) Further pursue with the competent authority of the Government of the Democratic Republic of the Congo to obtain rent-free premises as foreseen in the cooperation agreement signed by UNICEF and the Government on 12 August 2000.

23. *Status: Implemented and closed on 28 January 2015.*

Annex 4

Results of 2014 investigations

	Summary description of allegation	Investigation result
A.	**Bribery, corruption and kickbacks**	
1.	Staff members benefited financially from contracts issued to vendors.	Unsubstantiated. Closure memo.
2.	Staff member summoned to court on charges of kickback solicited from a consultant.	Unsubstantiated. Closure memo.
3.	Staff members solicited kickbacks in exchange for consultancy placements.	Unsubstantiated. Closure memo.
B.	**Burglary, robbery or theft of UNICEF property or funds**	
4.	Staff member stole from colleagues by taking cash totalling $6,098 for private air travel tickets and charging the country office.	Staff member resigned. Closure memo.
5.	Staff member misappropriated the amount of $500 for the visa of a consultant.	Staff member resigned after returning $500. Closure memo.
6.	Four separate incidents of theft of information and communication technology (ICT) equipment with loss of $4,468.	Perpetrators could not be identified. Closure memo.
7.	Theft of ICT equipment totalling $1,051.	Perpetrators could not be identified. Closure memo.
8.	Theft of ICT equipment totalling $9,665.	Perpetrators could not be identified. Closure memo.
9.	Theft of fuel totalling $6,100.	Perpetrators could not be identified. Closure memo.
10.	Staff member distributed UNICEF property worth $36,000 without authorization.	Investigation report.

	Summary description of allegation	Investigation result
11.	Theft of UNICEF fixed assets totalling $2,848.	Investigated by local police. Closure memo. Amount of $242 recovered.
12.	Staff member removed material of insignificant value.	Unsubstantiated. Closure memo.
13.	Laptops temporarily stored on behalf of the Government were stolen; no financial loss to UNICEF.	Investigated by local police. Closure memo.
14.	Staff member involved in procurement and other irregularities of unquantifiable amount over a period of time.	Investigation report.
C.	**Conflicts of interest**	
15.	Staff member received favours from a non-governmental organization (NGO) implementing partner.	Unsubstantiated. Closure memo.
16.	Conflict of interest involving an implementing partner.	Investigation report.
17.	Unauthorized outside activity.	Staff member resigned. Closure memo.
18.	Conflict of interest involving a service provider.	Unsubstantiated. Closure memo.
D.	**Entitlement fraud**	
19.	Irregular rental subsidy claims totalling $19,000.	Investigation report. The amount of $19,000 was recovered.
20.	Dependent of deceased staff member still obtaining pension benefits by deception.	Referral to the United Nations Joint Staff Pension Fund.
21.	Attempt at entitlement fraud; however no payment made by the country office (CO) and no financial loss to UNICEF.	Staff member resigned. Closure memo.
E.	**Fraud involving misuse of programme funds by third parties**	
22.	Former Director of an NGO admitted taking approximately $10,000 of funds remaining from workshops for his personal use.	Investigation report.

	Summary description of allegation	Investigation result
23.	Vendor attempted double payments for outstanding invoices, which was contested by the CO.	OIAI reconciled the dispute between the CO and the vendor and issued a closure memo.
24.	The CO requested to cooperate with a police investigation into a Government implementing partner.	Project funds were accounted for satisfactorily. Closure memo.
25.	Government implementing partner's staff member kept programme activity funds of $13,462 for future implementation.	No intent of fraud and $13,462 was recovered. Closure memo.
26.	Implementing partner manager misused $230,437 of programme funds.	Investigation report.
27.	Implementing partner misused programme funds.	Unsubstantiated. Closure memo.
28.	(a) Irregularities, including misuse of project funds by an NGO. (b) A discrepancy in the quality of project supplies used by the NGO amounting to $4,042.	(a) Unsubstantiated. Closure memo. (b) The NGO reimbursed $4,042 to UNICEF.
29.	Implementing partner misused programme funds and staff were involved in irregularities during the liquidation process of the programme.	Unsubstantiated. Closure memo.
30.	Implementing partner misused programme funds.	Unsubstantiated. Closure memo.
31.	Sub-contractor misused programme funds.	Unsubstantiated. Closure memo.
32.	Sub-contractor submitted fake receipts.	Unsubstantiated. Closure memo.
F.	**Gross mismanagement**	
33.	Staff member certified the release of cash advances without complying with due diligence requirements.	Investigation report.
34.	Staff member did not quality assure donor report after supervisee exaggerated expenditure in order for CO to receive second tranche of funding.	Unsubstantiated. Closure memo.

	Summary description of allegation	Investigation result
35.	Staff member approved and signed documents without checking that supervisee had presented accurate transactions.	Unsubstantiated. Closure memo.
36.	Staff member as officer in charge approved and signed documents without checking that supervisee had presented accurate documentation.	Unsubstantiated. Closure memo.
G.	**Harassment and abuse of authority**	
37.	Harassment or abuse of authority by supervisor.	Unsubstantiated. Closure memo.
38.	Harassment by another staff member.	Withdrawn. Closure memo.
39.	Harassment by another staff member.	Withdrawn. Closure memo.
40.	Staff member alleged harassment and abuse of authority after contract non-renewal.	Unsubstantiated. Closure memo.
41.	Abuse of authority by supervisor.	Unsubstantiated. Closure memo.
42.	Abuse of authority by supervisor.	Unsubstantiated. Closure memo.
H.	**Inappropriate staff conduct**	
43.	Staff member involved in an altercation with day labourer.	Investigation report.
44.	Employment scam.	No UNICEF staff involvement. Closure memo.
45.	Staff members forced to cooperate with anti-Government rebel forces during an evacuation of the town.	Actions resulted in the safe passage of staff members and their families and safeguarding of UNICEF assets. Closure memo.
46.	Staff member arrested by airport security.	Local authorities found no local laws were violated, and released staff member without charges. Closure memo.
47.	Staff members complained about the conduct of a fellow staff member.	CO took appropriate actions and developed a performance improvement plan. Closure memo.
48.	Third-party sub-contractor complained of harassment/discrimination by a staff member and requested compensation.	Unsubstantiated. Closure memo.

	Summary description of allegation	Investigation result
49.	Communication purported to have been sent by a staff member to a donor agency, discrediting the local government.	Unsubstantiated. Closure memo.
50.	Staff member was involved in an altercation with a contractor.	Investigation report.
51.	Staff member over-reported programme expenditure in a donor report.	Investigation report.
52.	Misuse of office ICT assets by staff.	Investigation report.
53.	Staff member used money given by another staff for reasons other than the intended purpose.	Investigation report.
I.	**Medical Insurance Plan fraud**	
54.	Fraudulent medical insurance claim. No loss as the health insurance provider kept the claim pending.	Investigation report.
55.	Fraudulent medical insurance claim of $1,623.	Investigation report. Staff member repaid $1,623.
56.	Fraudulent medical insurance claim. No loss as the health insurance provider kept the claim pending.	Investigation report.
J.	**Miscellaneous**	
57.	Member of the public complained regarding distribution of aid by implementing partner.	Unsubstantiated. Closure memo.
58.	Falsified credentials submitted as part of recruitment process.	Staff member abandoned the post and CO proceeded with separation. Closure memo.
59.	Implementing partner misused programme funds.	Unsubstantiated. Closure memo.
60.	Supplies for internally displaced persons sold at campsites and local markets.	OIAI found through independent verification that the supplies were not from UNICEF but another agency. OIAI made a referral to the United Nations agency concerned.
61.	Implementing partner did not deliver latrines as per agreement.	Unsubstantiated. Closure memo.
62.	Implementing partner misused funds with the knowledge of CO.	Unsubstantiated. Closure memo.

	Summary description of allegation	Investigation result
63.	Irregularities in distribution of supplies by implementing partner.	Unsubstantiated. Closure memo.
K.	Personnel disputes	
64.	Recruitment irregularity.	Unsubstantiated. Closure memo.
L.	Procurement irregularities	
65.	Staff member amended Programme Cooperation Agreement budget to allow expenditure of $8,300 without prior authorization.	Staff member resigned. Closure memo. The entire amount of $8,300 was recovered.
66.	Procurement irregularities in selection of the vendor in several COs, with impact totalling $374,958.	Advisory report recommending recovery of funds.
M.	Sexual harassment or exploitation	
67.	Sexual advances made towards an intern.	Withdrawn. Closure memo.
68.	Sexual harassment by a staff member.	No follow up by complainant. Closure memo.
N.	Unauthorized use or misuse or waste of UNICEF funds or property	
69.	Irregular transfer of grant expiring funds to an implementing partner.	Unsubstantiated. Closure memo.
70.	Staff member borrowed project funds from an implementing partner and failed to pay back in time for liquidation.	Unsubstantiated. Closure memo.
O.	Whistle-blower retaliation	
71.	Retaliation reported by Ethics Office.	Investigation report to the Ethics Office.
72.	Retaliation reported by Ethics Office.	Investigation report to the Ethics Office.

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UNICEF management response to the annual report of the Office of Internal Audit and Investigations for 2014

Summary

The present report is submitted to the Executive Board in accordance with decisions 2010/17, 2011/21, 2012/13 and 2013/14. It presents the management response of UNICEF to the annual report of the Office of Internal Audit and Investigations for 2014 (E/ICEF/2015/AB/L.2) and the concluding observations in the 2014 Annual Report of the Audit Advisory Committee.

A status update on the implementation of recommendations from earlier audits that have remained open for 18 months or more is provided in the annex to the present report.

* E/ICEF/2015/4.

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I. Introduction

1. This report has been prepared by the management of UNICEF in response to the Office of Internal Audit and Investigations (OIAI) 2014 annual report to the Executive Board. This report describes the actions that management has taken to address the key issues identified in the audits and investigations undertaken by OIAI in 2014, as summarized in their annual report.

2. The management of UNICEF is committed to having an effective internal audit and investigations function and to having OIAI carry out its activities in accordance with its Charter. In 2014, OIAI capacity was expanded with the establishment of an additional P-4 Investigator position in accordance with the OIAI approved 2014–2017 Office Management Plan.

3. Management appreciates the quarterly internal reporting by OIAI on the status of the implementation of its annual workplan and on the follow-up to its agreed actions. The quarterly reporting continues to enhance the capacity of management to monitor the implementation of audit agreed actions in a systematic manner. Management capacity to monitor the status of agreed actions by offices, and to analyse groups of issues for patterns and underlying causes, will be further strengthened in 2015 when the audit software procured by OIAI in 2014, with funding provided by management, is introduced.

4. UNICEF welcomes the valuable contribution of the independent UNICEF Audit Advisory Committee (AAC) in reviewing and commenting on OIAI workplans and reports and in providing general advice. The specific advice provided by the AAC is addressed in section VI of this report.

5. Management notes that a total of 39 internal audit reports of UNICEF offices and functions were issued in 2014, with 127 high-priority actions out of a total of 525 actions agreed between OIAI and management. This includes two inter-agency audits that also covered UNICEF offices; and management notes that no recommendations were issued to UNICEF from the inter-agency audits. Management also notes that the ratio of high-priority actions to the total number of actions has decreased for the second year in a row, to 24 per cent of the total in 2014, down from 25 per cent in 2013, and 30 per cent in 2012.

6. Management appreciates the advisory services provided by OIAI, and recognizes the contribution made by OIAI in the seven advisory engagements undertaken in 2014, including three related to partnership management. Management also notes that it has significantly increased its own capacity on the harmonized approach to cash transfers (HACT) and other forms of partnership management over the course of 2014, and now provides expanded support to country and regional offices.

7. Management notes that OIAI remains *generally compliant* with both the International Standards for the Professional Practice of Internal Auditing (Standards) of the Institute of Internal Auditors and the Uniform Guidelines for Investigations (endorsed by the 10th Conference of Internal Investigators in 2009), based on an independent quality assurance review conducted in 2013.

II. Public disclosure of internal audit reports

8. Pursuant to Executive Board decision 2012/13, all internal audit reports are subject to public disclosure. The same decision provides for the Executive Director or a concerned Member State to request the Director of OIAI to redact or withhold reports on certain conditions. Of the 27 audit reports ready for disclosure in 2014, the Executive Director requested that one audit report be withheld as it was deemed to contain particularly sensitive information. The Director of OIAI agreed with the request and withheld the report from public disclosure.

III. Management actions and plans to address the overall findings

9. The 2014 OIAI annual report lists 20 audit actions that remained open for more than 18 months as of 31 December 2014, compared to 5 as of 31 December 2013. Eighteen of the open actions arose from audits of headquarters/thematic areas and 2 from country offices. OIAI has reported to management that 5 of the 20 actions that remained open for more than 18 months at the end of 2014 were closed as at 31 March 2015. Four of the closed actions were from the 2013 Audit of Programme Division, and one was from the 2013 audit of the Democratic Republic of the Congo Country Office — for which all actions are now closed.

10. Management notes the significant increase in the number of open actions at the end of 2014 compared to the end of 2013. The unresolved issues at headquarters level involve complex policy and system issues that require broad consultation and modifications of multiple policies, procedures and information systems. As recognized by OIAI, the implementation of these unresolved actions was affected by the organizational changes underway at headquarters during 2014. The one open agreed action from a country office is of an administrative nature; it is complex but is moving forward. Details of follow-up action on the 15 remaining recommendations are contained in the annex to the present report.

11. UNICEF management notes that of the 39 audit reports of UNICEF offices and functions issued in 2014, 3 had an overall 'unqualified' rating (indicating fully satisfactory controls) and 22 had a 'moderately qualified' rating. As stated in the OIAI 2014 annual report (paragraph 37), 'unqualified' and 'moderately qualified' ratings "signal to management that controls and processes are generally established and functioning as intended." Conversely, 12 audited country offices had a 'strongly qualified' rating, and 2 had an 'adverse' rating (one country office and one thematic area). For the audit reports that received a strongly qualified or adverse rating in 2014, the Executive Director wrote to the concerned country representative or headquarters director and the head of office's supervisor to emphasize the criticality of the audit findings, the urgency of acting on the agreed remedial actions and the importance of learning and improvement going forward.

12. The UNICEF Enterprise Risk Management (ERM) framework identifies 12 risk areas. OIAI reviews all 12 risk areas, but in 2014 the Office made most of its recommendations in relation to 7 risk areas. Of the 39 audit reports of UNICEF offices and functions issued in 2014, more than 65 per cent of all high-priority actions were in three risk areas: results-based management (RBM) and reporting; governance and accountability; and supply and logistics. Forty-two per cent of all

high-priority recommendations were made in the area of RBM and reporting — which is largely the same percentage share as was reported in 2013. Management is pleased to report that the risk category of budget and cash management fell from 13 per cent of all high-priority actions in 2013 to 8 per cent in 2014.

13. Management notes that OIAI considers UNICEF policies and procedures to be generally appropriate to manage the risks in country office governance, programme management and operational support, and acknowledges the OIAI analysis of the underlying reasons for identified weaknesses to largely be insufficient compliance in some offices. Management is taking actions to strengthen staff awareness and capacity to fully apply policies and procedures, and to strengthen monitoring and oversight to more quickly identify and address weaknesses. A selection of the most important actions is presented in the following section.

Results-based management and reporting

14. Management acknowledges that the risk area RBM and reporting includes the largest number of agreed actions in country office audit reports issued in 2013 and 2014. To strengthen RBM and reporting, UNICEF has taken significant action in 2014 and continues to do so in 2015.

15. In June 2014, the Executive Board approved the establishment of a fourth UNICEF Deputy Executive Director post dedicated to field results. The new post is supported by the Field Results Group (FRG), which includes 13 professional-level posts that will contribute to advancing the organization's commitment to achieve and demonstrate results for children. The posts for the FRG were drawn from other divisions as a component of the 2014 headquarters reorganization. Also in 2014, management provided a total of $8.3 million to UNICEF regional offices to develop and implement multi-year commitments to strengthen management for results in their regions. Regional offices modified their 2014-2017 Office Management Plans to reflect this expanded commitment. The headquarters reorganization also strengthened RBM capacity in UNICEF with the reconfiguration of the Division of Data, Research and Policy.

16. To accompany the launch of the Strategic Plan 2014-2017 in January 2014, UNICEF issued new guidance to offices for the development and use of "theories of change" that are an important component of effective approaches to RBM.

17. In 2014, UNICEF revised the structure for country office annual reports to strengthen the attention to reporting on results. At the end of 2014, UNICEF revised the Results Assessment Module (RAM) of inSight, which is designed to both ease and improve the capacity of UNICEF offices at all levels to define the results they are committed to achieve; to record monitoring data; and to effectively report on the status of actions towards the achievement of agreed results. The revised RAM was first used by all offices as a component of the end-2014 reporting. The RAM supports individual country offices to strengthen their analysis and reporting of achievements towards their own office's results, and also supports consolidated reporting of all offices' programme performance towards achieving the global results established in the Strategic Plan. These system improvements make it easier for offices to report, and for regional offices and headquarters to oversee and quality assure defined results and performance reports.

18. Management is also working to improve the guidance available to all offices on RBM and will issue an e-learning course on core RBM topics by the third quarter of 2015.

19. The improvements to the RAM and the e-learning course support hands-on training actions at country and regional level to strengthen the application of established policies and procedures, which is noted by OIAI as an underlying reason for many of the RBM weaknesses identified during country office audits. In 2014, more than 900 staff participated in Programme Planning Process (PPP) training through more than 30 workshops. Building on lessons learned in previous years, UNICEF now encourages offices to undertake PPP training at country level at the outset of a programme cycle milestone, particularly during the development of a new programme or at the start of the mid-term review process, to strengthen the application of knowledge gained from the training into country programmes. A special version of the PPP was developed for offices operating in emergency environments, and training courses were held in the Middle East and North Africa (MENA) region for staff from several country offices, and in the West and Central Africa region (WCAR), in the Central African Republic and the Democratic Republic of the Congo.

20. Sound partnership management is a key feature of effective RBM and of several aspects of supply and logistics management.

21. To strengthen partnership management, UNICEF is taking action to improve the application of HACT. In 2014, UNICEF issued a new procedure on the application of HACT within UNICEF to improve clarity of what is to be done by country and regional offices, and at headquarters. To build staff skills in the application of the new procedure, training workshops have been held at global, regional and country levels in 2014 and have continued in 2015. Completion of the new HACT e-learning course is mandatory for all staff who manage resources and results that include cash transfers to partners. A workshop was held in March 2015 for country and regional office staff working with partners in high-risk country environments. While UNICEF is strengthening the application of HACT in all field offices, management is devoting particular attention to 10 high-burden countries through combined headquarters and regional office support missions; frequent teleconferences; and close performance monitoring. The improved HACT monitoring tools are also used by regional offices and headquarters for real-time performance monitoring of all offices on HACT implementation. In addition, management established a team of four professional staff in the newly created FRG at headquarters, and created five dedicated posts in five regional offices to support and strengthen HACT implementation.

22. In addition, to improve partnership management and the clarity of the organization's agreements for programme activity implementation with civil society organizations (CSOs), in March 2015, management issued a new procedure with regard to partnerships with CSOs for implementation of UNICEF country programmes, together with revised standard legal agreements. Also in March, staff were introduced to the new procedure through interactive sessions. The sessions were attended by more than 700 staff. Relevant regional office staff are participating in the orientation courses so that they are fully prepared to apply the new procedure in their regions and to monitor its application. Partners were consulted in the development of the new procedure and have participated in orientation meetings

held by UNICEF at global level, which were well received. Materials have been developed to support UNICEF offices to orient country-level partners. The new procedure and legal agreements are being disseminated in multiple languages.

Governance and accountability

23. In the area of governance and accountability, OIAI identified a "lack of compliance with existing policies related to the use of statutory and advisory committees and delegation of authority in managing risks". Management has taken or will take the following actions:

(a) In 2014, to further reinforce the accountabilities for effective functioning and oversight of committees and bodies, the Deputy Executive Director for Management wrote to all regional directors and relevant division directors to reinforce existing guidance concerning well-established and functioning mandatory statutory committees, advisory groups and other bodies.

(b) The revised procedure on UNICEF agreements with CSOs, issued in March 2015, provides offices with standard processes for the establishment and functioning of Partnership Review Committees. The introduction of the procedure has been supported by staff training and practical guidance on its application.

(c) In 2014, UNICEF established a certificate programme on public accounting, in partnership with the Chartered Institute of Public Finance and Accountancy. The programme had 155 registered participants as at 31 March 2015.

(d) In 2015, UNICEF is revising the performance indicators and associated inSight dashboards to include, inter alia, strengthened attention to aspects of office governance. The electronic document and records management system to be introduced will strengthen access and improve oversight for country office governance processes by regional offices.

Supply and logistics

24. The Supply Division management plan establishes a range of actions to strengthen supply and logistics management in the field and to improve oversight from regional offices and headquarters. Actions completed or in progress include:

(a) **Staff skills development**: In 2014, more than 550 staff participated in training events that covered procurement, contracting of services, construction, project management and supply monitoring. In 2015, the training syllabus is being expanded to include distance learning coursework on innovation, project management, data analysis, logistics and supply chain strategy, and monitoring. Supply Division is also developing a supply chain toolkit and a VISION e-learning package for supply and logistics issues, for use by country office staff.

(b) **Information system improvements**: In 2015, UNICEF will introduce barcoding that will facilitate in-country receipt of goods, improved reports to strengthen information on vaccine stocks and the status of new vaccine orders, and a product feedback mobile application for use by supply end-users.

(c) **Monitoring**: In 2014, a new supply dashboard was designed, piloted and used extensively in Level 3 emergency countries. The dashboard supports the monitoring of supply issues at country, regional and global levels. The global roll-

out of the supply dashboard by the end of 2015 will be supported by introductory workshops at regional level.

IV. Management actions and plans to address the recommendations of country office audits

A. Overview

25. UNICEF management appreciates the continued attention given to governance, programme management and operational support in the audits of country offices and the findings reported by OIAI. UNICEF appreciates that OIAI engaged management in 2014 to review the Office's audit guidelines for country offices in order to assure OIAI awareness of the latest changes in policies, procedures and guidance. UNICEF is committed to improving performance and strengthening management for results in all audited areas. UNICEF management notes that in 2014 OIAI continued the positive practice of including in each audit report a plan developed by the country office (with support from and oversight of the regional office) and agreed with OIAI, which specifies the agreed actions to be taken to address each audit recommendation.

26. The OIAI annual report notes that 463 actions, of which 116 are high-priority actions, were issued in the 33 audit reports of country offices during 2014. The total number of actions, and the number of high-priority actions, is very similar to what was issued in 2013: 448 actions, of which 113 were high-priority.

B. Status of activities to strengthen controls in country offices with medium- and high-priority actions

27. As at 31 March 2015, OIAI had closed 44 of the 116 high-priority actions (38 per cent) from audit reports issued in 2014 following the review of implementation reports submitted by country offices. Among the 76 high-priority actions in the 22 audit reports issued before October 2014, more than 55 per cent were closed as at 31 March 2015. These country office actions are the result of decisive country office management, as well as the support and oversight of regional offices.

28. Regional offices regularly participate in audit exit meetings on-site or remotely to obtain a first-hand understanding of identified issues and to assist country offices in developing practical action plans. The implementation of agreed action plans is among the key performance indicators monitored by regional offices. Capacity to monitor the status of country office actions will be significantly enhanced in 2015 with OIAI new audit software. The software will provide data to the inSight performance dashboards so that audit action implementation status can be viewed, along with other indicators of programme and operations performance data.

29. In MENA region, 28 of the 37 agreed actions (76 per cent) from the 2014 audits of the Djibouti and Sudan Country Offices issued before October 2014 were closed by 31 March 2015. The regional office is working with the Lebanon, Libya, Jordan and Morocco Country Offices to address the 63 agreed actions (including

13 high-priority actions) contained in the audit reports issued in December 2014. To further strengthen country office capacity in the region, the Operations Officer posts in three country offices were reclassified in 2014 to a level commensurate with the scale of programme activity and risk. The regional office strengthened its capacity for supply and HACT management with the establishment of new professional positions in 2014. The MENA regional office introduced systematic monitoring of country programme performance against key indicators of programme and operations performance, and regularly interacts with offices to address issues that fall below expected standards. To assure awareness and application of policies and procedures among new personnel in rapidly expanding humanitarian actions, the regional office conducted an emergency-focused PPP workshop for more than 120 staff working in Level 3 emergencies in 2014 and will conduct similar training in 2015.

30. In WCAR region, 44 of the 73 agreed actions (60 per cent) from the 2014 country office audit reports of Côte d'Ivoire, Ghana, Liberia and Mali issued before October 2014 were closed by 31 March 2015. The regional office is working with the Cameroon Country Office to address the 19 agreed actions (including 7 high-priority actions) contained in the audit report issued in November 2014. The regional office is also working with the Mali Country Office to address the 13 remaining open actions included in the audit report, which had the only adverse audit conclusion issued to a country office audit in 2014; 9 actions directed to the Mali Office have already been closed by OIAI. Specific follow-up actions for the Mali Country Office to date include 12 on-site support missions that have addressed, inter alia, programmes, humanitarian response and RBM — including HACT and human resources. A dedicated senior staff focal point in the West and Central Africa Regional Office (WCARO) maintains close contact with senior management in the Mali Country Office and monitors the status of actions to address the remaining open audit actions. The regional office is also working with the Office of the UNICEF Legal Adviser to support the Nigeria Country Office to close the one outstanding action open for more than 18 months at 31 December 2014. To further strengthen WCARO capacity for support and oversight, the regional office requested advisory assistance from OIAI in 2014 and is working to introduce the advised actions. The regional office continues to build awareness and skills on ethical behaviour among staff in the region.

31. In the Eastern and Southern Africa region (ESAR), 6 of the 16 agreed actions (38 per cent) from the 2014 audit of the Eritrea Country Office issued in March 2014 were closed by 31 March 2015. The regional office is working with the Mozambique and Malawi Country Offices to address the 33 agreed actions (including 5 high-priority actions) contained in the audit reports issued in September and October 2014, respectively. Direct engagement by UNICEF in supply and logistics is actively reviewed by the regional office. The number of offices with UNICEF-managed supply warehouses decreased from 15 in 2013 to 12 in 2014, in recognition of increased Government capacity in the respective countries. The value of UNICEF-held inventories fell by more than 58 per cent from end-2013 to end-2104. These changes reduce the scale of UNICEF supply and logistics risk exposure across the region, which helped the regional office to concentrate its support in 2014 on offices with a significant supply component, including Eritrea and Somalia.

32. In the Latin America and Caribbean region (LACR), 37 of the 51 agreed actions (73 per cent) from the 2014 audits of the Eastern Caribbean Area Office, and the Argentina, Belize, Plurinational State of Bolivia and Bolivarian Republic of Venezuela Country Offices issued before October 2014 were closed by 31 March 2015. The regional office is working with the Chile, Mexico and Peru Country Offices to address the 33 agreed actions (including 4 high-priority actions in the audit of Chile) contained in the audit reports issued in December 2014. The regional office is devoting particular attention to supporting the nine country offices with private fundraising and partnership (PFP) activities in the region, and has introduced region-wide actions to strengthen performance in those offices, building on the findings of the six audits of country offices with PFP activities conducted in 2014.

33. In the Central and Eastern Europe and the Commonwealth of Independent States (CEE/CIS) region, 9 of the 12 agreed actions (75 per cent) from the 2014 audit of the Turkey Country Office reported before October in 2014 were closed by 31 March 2015. The regional office is working with the Belarus and Turkmenistan Country Offices to address the 17 agreed actions (including 3 high-priority actions) contained in the audit reports issued in December 2014. The regional office continues to devote particular attention to strengthening staff skills in managing performance for results (including programme design, monitoring and reporting); in 2014, the office trained an additional 24 staff from the region, which contributed to a cumulative total of 211 staff trained in the past four years. The regional office worked with all country offices in the region in 2014 to strengthen the quality of programme indicators and performance reporting. In addition, the regional office strengthened the awareness and capacity of country office staff to improve the practices and governance over competitive selection of service providers.

34. In the East Asia and Pacific region, 21 of the 51 agreed actions (41 per cent) from the 2014 country office audits of China, the Democratic People's Republic of Korea, Myanmar and the Pacific Island Countries were closed as of 31 March 2015. All 2014 audit reports of country offices in this region were issued before October of that year. The regional office is working with the four country offices to address the remaining open agreed actions. The regional office is strengthening its monitoring and support to country offices on elements of RBM, including the quality of indicators and performance reporting. The office continued to advance awareness and skills for ethical behaviour in 2015 through the establishment and training of 20 ethics dialogue facilitators to support country offices; nine offices held ethics training for staff in 2013–2014 and five other offices in the region will conduct training in 2015.

35. In South Asia, 22 of the 23 agreed actions (96 per cent) from the country office audits in Bangladesh and Nepal reported before October 2014 were closed by 31 March 2015. The regional office is working with the Pakistan Country Office to address the 22 agreed actions (including 2 high-priority actions) contained in the audit report issued in December 2014. The regional office supported all country offices in the region to strengthen the quality of their programme performance indicators and clarity of performance reporting in 2014, and promoted continued ethics training in the region — including completion of the online ethics course.

V. Management actions and plans to address the recommendations regarding headquarters/thematic areas, regional offices, joint audits and advisory services

A. Audits undertaken prior to 2014

36. The OIAI annual report notes that 18 agreed actions remained open for more than 18 months at the end of 2014 from audits of headquarters and thematic areas (compared to 4 agreed actions outstanding for more than 18 months at the end of 2013). At 31 March 2015, OIAI had closed 4 of the 18, following actions taken by Programme Division. As reported by management to the Executive Board, there were important changes in 2014 within and between several headquarters functions. These changes were made to strengthen the effectiveness and efficiency of headquarters functions; however, in 2014, these changes affected the timing of actions to address some open audit actions as responsibilities for action shifted between divisions. The status of each agreed audit action outstanding for more than 18 months at the end of 2014 is presented in the annex to this management response. Management has reviewed the plans to address the actions with all responsible directors to secure early resolution of the outstanding actions. Resolution of most actions will be through the issuance of revised policies and procedures, which will in some cases be accompanied by information system changes that require contracting of external vendors for specialized software.

B. Audits undertaken in 2014

37. OIAI issued two audit reports of regional offices, two headquarters and thematic area audit reports, and contributed to two joint audits with other United Nations agencies.

1. Regional Offices

38. ***Regional Office for South Asia***. The audit assessed the functioning of the regional office's governance and operations management, and its oversight and support to country offices in the region. OIAI issued a conclusion of 'moderately qualified', with 17 agreed actions — none of which were ranked high priority. In February 2015, the regional office reported to OIAI on the actions it had taken to address the agreed actions; the office is awaiting review by OIAI to secure closure.

39. ***Regional Office for Central and Eastern Europe and the Commonwealth of Independent States***. The audit assessed the functioning of the regional office's governance and operations management, and its oversight and support to country offices in the region. OIAI issued a report in December 2014 with a conclusion of 'moderately qualified', with 19 agreed actions — including one rated as high-priority by OIAI, related to the role of the Regional Chief of Information and Communication Technology (ICT). The regional office is addressing the issues raised.

2. Headquarters and thematic audits

40. ***Management of UNICEF websites***. Management appreciates the contribution made by OIAI to assess this technical area. Actions are being taken by the Directors

of the Division of Communication, Information Technology Services and Solutions, and Private Fundraising and Partnerships to address the 17 agreed actions (of which 7 are high-priority). A position for digital governance coordination has been created and filled. Two of the agreed actions have been closed by OIAI. The three divisions note that the actions are challenging to address; several require contracts with external vendors that have now been identified through competitive selection processes. The responsible divisions have provided progress reports to OIAI and management on their actions and have presented plans to complete most of the agreed actions by mid-2015.

41. ***Payroll management in UNICEF, including information and communication technology systems***. The audit assessed the governance, risk management and controls over the payroll function — which was consolidated globally with the introduction of VISION at the start of 2012. In September 2014, OIAI issued a conclusion of 'moderately qualified', with 9 agreed actions addressed to the Division of Human Resources (DHR), the Division of Financial and Administrative Management (DFAM) and the Information Technology Solutions and Services Division (ITSSD), 7 of which have been agreed to be completed by mid-2015. As at 31 March 2015, OIAI had closed one of the actions, following satisfactory demonstration of actions taken by the responsible divisions. The other actions are being actively addressed by the divisions. The audit report, including the agreed actions, is informing the procedures and controls to be applied to the payroll function when it is integrated into the Global Shared Services Centre in early 2016.

C. Advisory services undertaken in 2014

42. Management values the guidance on risks and controls that the OIAI advisory work provides. Advisory services assist management in ensuring timely intervention on issues of concern. OIAI issued six reports from advisory services provided in 2014.

43. Three of the advisory services reports were related to aspects of partnership management in the field and were conducted in Côte d'Ivoire, the Pacific Islands and the Philippines. The advisory services supported partnership management in the specific country offices and the reports informed the UNICEF revised procedures on the management of HACT issued in 2014 and on UNICEF work with CSOs issued in 2015. The analysis and conclusions in these three reports also influenced the actions of the recently established FRG and the work of the regional HACT specialists who were established in five regional offices at the end of 2014.

44. Two of the advisory engagements were related to management of UNICEF ICT functions: Advice from OIAI on reinforcement of the governance of the project to revamp the UNICEF global website, <www.unicef.org>, and a risk assessment of the ICT function in UNICEF. The advice from OIAI is being incorporated into the actions to strengthen controls over UNICEF websites (which is also covered in the 2014 audit on that issue), and in continued refinements to the ICT function across UNICEF, which includes country and regional offices, and other headquarters divisions, as well as ITSSD.

45. OIAI also provided advisory services at the request of the regional office for WCAR to support their efforts to further strengthen the regional office's oversight capability. This support, which was undertaken at the height of the Ebola crisis

response, will strengthen the regional office's capacity to oversee programme and operations functions of the 24 countries in the region, which is chronically affected by humanitarian crises and challenging implementation environments.

D. Joint audits and inter-agency audits

46. The OIAI 2014 annual report summarizes the findings of two audits jointly undertaken with other United Nations agencies.

47. OIAI contributed to a coordinated inter-agency audit of the Pooled Fund for humanitarian activities in the Democratic Republic of the Congo. The 2014 consolidated report issued by the United Nations Development Programme (UNDP) did not include any recommendations directed to UNICEF. Three related actions were presented to the UNICEF country office following an audit of that office, which contributed to the inter-agency coordinated audit effort. These three actions have been addressed and have been closed by OIAI.

48. OIAI participated in a joint audit of Delivering as One in Pakistan, led by UNDP along with the audit services of six United Nations agencies. The audit report, which was issued by UNDP, did not include any actions specifically addressed to UNICEF. The UNICEF Representative in Pakistan is working with other members of the United Nations country team to support the Resident Coordinator to address the recommendations directed to the UNCT.

VI. Management actions to address the findings of investigations

49. UNICEF has a policy of zero tolerance for all forms of fraud and corruption and is fully committed to ethical practices. The organization strongly encourages reporting of misconduct and protects staff from all forms of harassment and reprisals for whistle-blowing. The Executive Director issues an annual memo to all staff reporting the disciplinary actions taken by UNICEF to address proven wrongdoings by staff. Annex 4 of the OIAI report for 2014 summarizes the allegations it received and informs on the investigation result in those cases where an investigation took place.

50. The 2014 annual Report of the Ethics Office of UNICEF to the Executive Board provides extensive information on actions taken during the year by the Ethics Office to further strengthen UNICEF staff skills to identify issues of ethical choice and take appropriate actions. These actions included face-to-face training activities with more than 800 staff participants in 2014, and the November 2014 introduction of an e-learning ethics course, which will be available to all staff in three languages in 2015.

51. A dedicated Investigations Unit in OIAI carries out investigations in accordance with the Uniform Guidelines for Investigations, and in conformity with due process principles, as laid out in chapter X of the United Nations Staff Rules and Staff Regulations. In 2014, the capacity of the OIAI Investigations Unit was strengthened with the addition of a fifth investigator post. The established channels, including a dedicated anonymous e-mail address <integrity1@unicef.org>, are being used to bring concerns and allegations of wrongdoings to the attention of OIAI.

52. Management notes that 79 allegations of wrongdoings were reported in 2014 compared to 127 in 2013. In addition, 45 allegations were carried over from 2013, making a total of 124 cases managed in 2014. OIAI closed 72 of the 124 cases in 2014 and carried 52 forward to 2015.

53. Management notes with appreciation that OIAI assesses all allegations and investigates those allegations that it believes warrant additional consideration.

54. Management was concerned that two of the allegations received in 2014 were classified as whistle-blower retaliation. As with all allegations, these two cases were investigated by OIAI, which concluded that there was no evidence of retaliation in either case. The investigation reports were submitted to the UNICEF Ethics Office, which also reviewed the cases and the background documentation. The Ethics Office concurred with the conclusions of the investigation reports.

55. Management notes that of the 72 cases closed in 2014, 9 were referred for action to a UNICEF office or a United Nations body without further investigation by OIAI.

56. Managements notes that when an investigation of wrongdoing is discontinued against a staff member because she or he has separated from the organization and a loss has occurred, efforts are continued to recover that loss. Management notes that six allegations were closed in 2014 because the subject left the organization during the investigation. Of these six allegations, four did not result in any financial loss to UNICEF. In one case, the full amount of $8,300 identified in the investigation was recovered; in the other case, $12,590 was recovered out of a loss of about $18,600.

57. Management further notes that the majority of the cases in 2014 were classified as "fraud involving misuse of programme funds by third parties" (15 cases); "inappropriate staff conduct" (12 cases); and "harassment and abuse of authority" (9 cases). Management notes that the number of cases related to alleged medical insurance plan fraud fell for the second year in a row, to 3 cases in 2014 compared to 6 cases in 2013 and 16 cases in 2012. Ethics training and communication from country representatives focused on medical insurance plan fraud in 2013. This effort may have contributed to the continued reduction in the number of cases.

58. UNICEF pursues and seeks recoveries of all identified financial losses. Of all the cases OIAI investigated, OIAI reported potential financial losses in 16 cases. Of these 16 cases, full recovery was possible in 6 cases. Of the remaining 10 cases, 2 are being reviewed for possible referral to Governments and disciplinary action was taken in one case. Recovery efforts continue in one case. For the remaining six cases, where the amount of potential loss is $29,987.72, recovery was not possible due to unknown or inaccessible perpetrators.

59. Twelve investigation reports relating to 11 staff members were submitted to the Policy and Administrative Law section of DHR in 2014 for disciplinary actions. In 2014, disciplinary actions against nine staff members were as follows: one dismissal, four demotions, one written reprimand, one written censure, one separation with compensation, and one report that resulted in no further action. The two cases carried over to 2015 led to one reprimand and one closure with no further action.

VII. Management actions to address the concluding observations in the 2014 annual report of the UNICEF Audit Advisory Committee

60. UNICEF management appreciates the important contribution of the UNICEF AAC to the effective and independent oversight of the organization. As noted in the annual report of the AAC for 2014, the Committee members regularly interacted with the Deputy Executive Director for Management and other senior managers, and met with the Executive Director during the year.

61. UNICEF management notes and appreciates the structured review conducted by the AAC of the organization's core mandate areas and the specific advice the AAC has provided in its 2014 report. Management has given careful consideration to this advice and:

(a) Agrees that management should continue to improve the timeliness and quality of responses to evaluations and notes that this issue is covered in 2014 Annual Report on the evaluation function and major evaluations, which reports that "implementation of agreed actions (including actions completed and ongoing) increased from 57 per cent in 2010 and is now consistently around 80 per cent." Management will continue to further strengthen actions by responsible offices.

(b) Agrees that it is important to continue to reinforce the ethical environment in UNICEF by promoting a 'speak-up culture', and notes that the Strategic Plan 2014-2017 includes a performance indicator on speaking up and that the 2014 Global Staff Survey included four questions relevant to speaking up. The results of the 2014 survey found that 51 per cent of staff feel they work in an environment that supports a speak-up culture. Management is working to further strengthen this result, and strives for 100 per cent (see the 2014 annual Report of the Ethics Office of UNICEF to the Executive Board);

(c) Agrees that it is important to further strengthen the oversight of National Committees for UNICEF, and management notes that this is an area of significant management action in 2015 and is within the scope of the United Nations Board of Auditors' programme for 2015;

(d) Agrees that is important to assure effective change management during the introduction of new programming approaches, and notes that the actions to establish the Global Shared Services Centre continue to give sustained attention to change management with close involvement of the UNICEF Staff Association at global, regional and country levels;

(e) Appreciates the recognition by the AAC of efforts by UNICEF to strengthen the application of HACT and notes that many of the actions referred to throughout this management response profile the actions management is taking;

(f) Notes the AAC advice that UNICEF should consider requiring management to provide a signed assertion regarding the effectiveness of internal controls each year. UNICEF agrees that such a statement can further strengthen internal controls and is aware that a number of United Nations organizations include such a statement in their annual accounts. To meaningfully adopt this practice, UNICEF is first strengthening its ERM tools and their application in all UNICEF

offices. UNICEF is also following the efforts and integrating the lessons learned from other United Nations organizations; and

(g) Notes the AAC advice that the AAC annual report should be separate from the OIAI annual report. Management also notes Executive Board decision 2009/8 requiring the AAC annual report to be included in the OIAI annual report.

62. In 2015, management will provide the draft annual financial statement to the AAC at the same time as it is provided to the United Nations Board of Auditors so that input can be received from both oversight bodies before the annual financial statement is certified by the Comptroller.

Annex

Progress update on audit recommendations that remained open for more than 18 months as of 31 December 2014

Agreed action in OIAI Annual Report	*Progress update*
Audit of staff rotation, issued June 2011 (one action)	
The action pertains to a governance structure for managing organizational policies, procedures and guidance that balance the practical realities of the UNICEF business model with good practices.	The Director of Human Resources has led consultations and risk assessments with headquarters and field-based staff, including staff associations, to revise the staff rotation policies. It is expected that the new directive will be issued by mid-2015.
Audit of the framework for managing policies, issued June 2012 (three actions)	
Two actions pertain to a governance structure for managing organizational policies, procedures and guidance; and establishing minimum standards for policy development and management. One recommendation pertains to defining a common organizational platform for storing all policies and procedures.	As of November 2014, the relevant functions to address the three open recommendations are with the Division of Financial and Administrative Management. A proposed regulatory framework covering the governance structure and minimum standards is pending the identification of the financial resources required to establish a system which will support a common organizational platform for storing policies and procedures.

Audit of administration of separation benefits and entitlements, issued September 2012 (one action)	
The action pertains to the protection of personnel information by exploring the possibility of having an electronic personnel filing system and other disaster backup management controls, especially increased security over personnel files.	The Division of Human Resources and the Information Technology Solutions and Services Division (ITSSD) have defined a solution, and UNICEF is in the process of contracting a vendor to start implementation in the third quarter of 2015. The actions will be completed before the start of the Global Shared Services Centre.
Audit of budgeting process in UNICEF, issued October 2012 (three actions)	
Two actions pertain to revising the Budget Policy to ensure that the responsibilities, authorities and accountabilities of headquarters divisions, regional and country offices cover all aspects of the budgeting process; and ensuring that the revised Budget Policy explicitly supersedes previous guidance in order to avoid confusion, gaps and overlaps. One action pertains to development and communication of a results-based budgeting implementation strategy for both programme and institutional budgets.	The revised budget policy will address all three agreed actions. The policy is scheduled to be issued in the second quarter of 2015. The issued policy will be reported to the Office of Internal Audit and Investigations (OIAI) for review and closure of the agreed actions.

Audit of Programme Division, issued December 2012 (seven actions)	
The OIAI 2014 annual report to the Executive Board notes that the relevance and responsibilities for addressing the seven open actions have been affected by the headquarters restructuring and the outcomes of Effectiveness and Efficiency initiatives. OIAI requested Programme Division (PD) and the Deputy Executive Director (DED) Programme Group to review all agreed actions established in the audit report and to propose and address new actions relevant to the revised structure.	PD and the DED Programme Group presented a revised action plan to OIAI and reported on completed actions. As a result, OIAI closed four of the agreed actions in March 2015 following the demonstration of completion by PD. The Division also presented a plan to complete the additional three actions in the second quarter of 2015.
Nigeria Country Office report, issued March 2013 (one action)	
The country office agrees to maintain a record of all premises provided by the Government, with full supporting documents such as memorandums of agreement between UNICEF and the Government; and to establish procedures on the use of these premises by staff for billing and collection of rent; and to ensure that only authorized persons are allowed to occupy these premises.	The country office is working to address the issue.

Audit of user access controls and segregation of duties, issued April 2013 (two actions)	
One action pertains to drawing up a policy formalizing the governance structure over user roles, documenting the processes relative to the oversight bodies and the supporting teams, and seeing that governance and oversight over the Enterprise Resource Planning (ERP) system user access security becomes fully operational. One action pertains to taking action so that Heads of Offices acknowledge accountability for the mitigating controls undertaken after segregation of duty conflicts are detected by the Approval governance, risk and compliance tool.	The revised internal control policy is expected to be issued in the second quarter of 2015. The issued policy will be reported to OIAI for review and closure of the agreed actions. UNICEF is revising the electronic tools for managing user access to VISION. The revision, which will be completed in 2015, will address the agreed action from the audit report.
Audit of baseline security in UNICEF ERP system, issued April 2013 (one action)	
The action pertains to updating the set of procedures covering all aspects of ERP system security, including the monitoring of ERP security.	ITSSD has drafted a systems development lifecycle standard that will address the agreed audit action. The new standard and associated procedure and guidelines will be issued in the second quarter of 2015.
Democratic Republic of the Congo Country Office report, issued May 2013 (one action)	
The country office agrees to: (i) Request the advice of the Principal Adviser to the Executive Director to ensure compliance with the lease contracts, such as the completion of additional works on the office space and related penalty clauses, and immediate repairs to the roof of the second building, which includes the warehouse; and to clarify the contractual status for the old warehouses, taking into	OIAI closed the agreed action in January 2015 following the demonstration of completion by the country office.

account the time that will be needed to fix the roof in the new warehouse. (ii) Document its plan to finance the additional rental cost over the duration (five years) of the lease contract for the main office space. (iii) Further pursue with the competent authority of the Government of the Democratic Republic of the Congo to obtain rent-free premises as foreseen in the cooperation agreement signed between UNICEF and the Government on 12 August 2000.	